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SUBJECT: MOROCCO ECONOMIC HIGHLIGHTS: AUGUST

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Article IV Consultations: Keep Up The Good Work

11. (SBU) In an information note released on August 9, the IMF outlined the positive conclusions of its 2007 Article IV consultations with Morocco. The Board praised Morocco's "remarkable economic progress" over the course of recent years, noting that growth has accelerated, inflation has been contained, while foreign investment has increased rapidly. It urged Morocco to "consolidate and reinforce" this progress in years to come, judging that current policies are appropriate, but that the uptick in inflation in 2006 warrants continued vigilance by the Bank Al-Maghrib. The Board also praised Morocco's recent budget performance, but pressed for more ambitious targets, given the favorable economic climate. The IMF also came down in favor of Morocco's gradual loosening of restrictions on capital account transfers, judging that the current exchange rate regime is "compatible with external stability."
(Comment: The IMF's assessment is not a surprise, given the progress registered here on a variety of fronts. Growth has averaged 5.4 percent a year since 2001, up from the average of 2 percent in the 1990s. The economy remains susceptible to climactic variations, as is evident in the slippage of growth as a result of this year's drought, but whereas in previous years the disastrous harvest might have resulted in no growth or negative growth, this year it is still expected to reach 2 percent, given the strength of non-agricultural portions of the economy. End Comment.)

Exports Up, But Still Lagging Imports

12. (U) Mid-year figures released this week by the Office des Changes show a pick up of exports in June, but their continued failure to match strong import growth. Overall exports were up 4.8 percent through the end of June over the same period in 2006, after rising only 1.2 percent in the first five months of the year. Imports grew 12.6 percent, however, leaving the trade deficit up 22 percent at 57.5 billion Dhs. The current account remained in surplus, however, with continued growth in tourism receipts, transfers from Moroccans resident abroad, and foreign investment.
(Comment: As discussed in reftel, the competitiveness of Moroccan exports remains a preoccupation here, as the coverage ratio of exports to imports continues to decline, and now hovers just above 50 percent.)

Tanger-Med Inaugurated

13. (SBU) The first stage of Morocco's flagship Tanger-Med port was inaugurated in the presence of King Mohammed VI and leading international shippers on July 29 with the arrival of the "Evelynne Maersk," one of the three largest container ships in the world. The port will have a capacity of 8.5 million containers per year when it is fully operational in 2012. (Comment: Tanger-Med is a key part of a coordinated policy reform and infrastructure program which aims to make Morocco a transshipment hub for the Western Mediterranean and Southern Europe. Shippers present in Tangier, however, told the Ambassador that the port will face strong competition from new facilities in Algeciras, and that they intend to divide their operations between the two locations, to avoid local service interruptions and to keep competitive pressure on shipping rates. End Comment.)

Moroccan Fisheries: Volume Down, But Value Up

14. (U) Morocco's Office National des Peche reported on July 30 that while the tonnage of fish landed in Morocco declined by 2 percent in the first six months of the year over 2006, the value rose 8 percent. The Cephalopod catch continued to be the mainstay of the industry, accounting for 30 percent of the catch's value, though it constituted only 6 percent of its volume. Experts attribute the decline to a reduction in the coastal fleet in Laayoune, and note that artisanal catches have grown in value in Agadir, Laayoune and Tan Tan as they have been better commercialized. Notable too is the contrast between the fisheries in the Mediterranean and the Atlantic: while the former declined by 12 percent in volume and 19 percent in value, the more important Atlantic catch (which represents nine tenths of national production) was stable and saw an 11 percent rise in value. (Comment: Artisanal fisheries constitute an important part of the forthcoming MCC Compact, and will be further reinforced by the support it extends to more effective commercialization of that catch. End Comment).

Delphi Extends Its Moroccan Operations

15. (SBU) In a sign that our bilateral free trade agreement is now having an increasing impact on investment as well as trade, automotive parts giant Delphi Automotive Systems signed an investment agreement on August 1 that will expand its Tangier-based operations from 5,000 to over 8,000 employees by 2009. The 36 million USD investment will focus on electrical and electronic car components.

Auchan-ONA Divorce Finalized

16. (SBU) The long-rumored divorce between French retail giant Auchan and the King's holding ONA was publicly confirmed in a terse press release on Friday, August 24. The French conglomerate will sell its 49 percent stake in the company to ONA for an undisclosed, but reportedly healthy amount. Auchan will continue to honor its sourcing and assistance contracts, which run through 2008, but indicates that they will not be renewed. The seven year partnership has been on the rocks since 2005, as an apparent result in differences between the two partners over how rapidly their Marjane and Acima retail outlets should expand into new markets. Auchan requested arbitration in 2006, but lost the case, as a result of which ONA was able to take control of the boards of both Marjane and Acima.

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